Using payment to ensure appropriate access to and use of hospital emergency department services

Sydney McClendon, Jeff Stensland, and Zach Gaumer
March 1, 2018
Outline of today’s presentation

- Review emergency department (ED) use and the ED payment system
- Background on stand-alone EDs
- Rural ED access concerns and policy
- Urban stand-alone ED concerns and policy
- Discussion
Trends in emergency department use and payment from 2010 to 2016

- Medicare outpatient ED use grew faster (14%) than nationwide ED use (7%) and Medicare physician visits (4%)
- The two highest-paying levels of ED visits (levels 4 and 5) represent a growing share of all Medicare ED visits (10 percentage point increase)
- Medicare ED facility fees per beneficiary increased from $79 in 2010 to $136 in 2016 (72% increase)

Results are preliminary and subject to change.
Medicare payment for ED and urgent care center services (2018)

Note: The physician fee schedule (PFS) payment rates for services delivered in hospital EDs reflect level 4 physician ED services, and payment rates for services delivered in urgent care centers and physician offices reflect level 4 evaluation and management codes for new patients.
Stand-alone EDs, 2017

- Approximately 550-600 stand-alone EDs
  - Hospital-owned off-campus EDs (OCEDs): 2/3 of all stand-alone EDs
  - Independent freestanding emergency centers: 1/3 of all stand-alone EDs
- Only OCEDs can bill Medicare (if deemed off-campus provider-based departments)
Illustrative example of Medicare ED payments by facility type and geography

On-campus hospital ED
Off-campus hospital ED
Urgent care center

$476
$167

Note: The ED payment amounts displayed are for level 4 Type A ED visits and for level 4 office visits at an urgent care center.
Inpatient-focused rural payment policies are increasingly ineffective

- Long-standing objective: Preserve access
- Current strategy
  - Higher inpatient rates for rural PPS hospitals
  - Cost-based payment for Critical Access Hospitals (CAHs)
- Two problems
  - Increasingly inefficient
  - Does not always preserve emergency access
Declining admissions at Critical Access Hospitals

Source: All-payer discharges reported by hospitals on Medicare cost reports. Results are preliminary and subject to change.
Rural policy option: 24/7 emergency department in outpatient-only hospital

- Focus on isolated hospitals (e.g., 35 miles from other hospitals)

- Payment
  - Outpatient PPS rates per service, including Type A rates for ED services
  - Medicare fixed subsidy to help fund:
    - Standby costs
    - Emergency services
    - Physician recruitment
Objectives of rural outpatient-only policy option

- Maintain emergency access in isolated areas
- Offset the cost of the additional ED payments with efficiency gains from consolidating inpatient services
  - Shift acute patients from low-occupancy to higher-occupancy facilities
  - Shift post-acute patients from high-cost CAH care to facilities paid skilled nursing facility PPS rates
Urban stand-alone EDs: Concerns

- The number of stand-alone EDs is growing in several urban markets
- Tend to locate in high-income areas
- Majority are in close proximity to on-campus EDs

<table>
<thead>
<tr>
<th>Distance to the nearest on-campus hospital ED (miles)</th>
<th>0 to 2</th>
<th>2 to 4</th>
<th>4 to 6</th>
<th>6 to 8</th>
<th>8 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative percent</td>
<td>21%</td>
<td>52%</td>
<td>75%</td>
<td>87%</td>
<td>100%</td>
</tr>
<tr>
<td>Average minutes to nearest on-campus hospital ED</td>
<td>4.4</td>
<td>8.4</td>
<td>10.3</td>
<td>14.0</td>
<td>18.4</td>
</tr>
</tbody>
</table>

Source: MedPAC analysis of stand-alone ED locations using ARC GIS and google mapping. Note: Data are for 112 stand-alone EDs in five US markets (Charlotte, Cincinnati, Dallas, Denver, Jacksonville).
Urban stand-alone EDs: Medicare is encouraging overuse of ED services

Urban stand-alone EDs:
- Appear to have lower patient severity (and resource use needs) than on-campus EDs
- Have lower standby costs than on-campus EDs

However,
- Off-campus EDs are still paid the same as on-campus Eds
Rationale for urban OCED policy options

- Better align payments with the costs of care
- Reduce incentives to build new EDs near existing sources of emergency care
- Preserve access to ED services where they are truly needed